



Quarterly Revenue Update

September 2002



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

- **First Quarter Results.** Total tax collections during the first quarter of fiscal year 2003 are slightly below collections during the first quarter of FY02 but overall are on target with the revised budget estimate. However, it is important to note that collections received on a monthly or quarterly basis are subject to significant variability when compared to similar periods for previous fiscal years. Payments received on the last day of the quarter may not be recorded until the next quarter thereby making comparisons between specific revenue sources meaningless.
- **Income Tax.** A major contributor to the decline has been collections from income taxes which were \$98.9 million during the first quarter compared to \$143.9 million during the first quarter of FY02, a decrease of 31%. The decline in first quarter distribution can be attributed to a decrease of 6.7% in net taxable income for the County in 2001, which was caused by very little employment growth and a significant drop in capital gains. The decline contributed to a decrease of \$42.5 million in the collections from the adjusted final tabulation of income taxes filed for calendar year 2001.
- **Property Tax.** Collections during the first quarter are 9.2% above the first quarter of last year and ahead of the revised budget forecast. The 6.7% growth rate in estimated property tax revenues in FY03 is due to the significant increase in average home prices which are reflected in higher real property reassessments.
- **Transfer and Recordation Taxes.** Increases in home prices coupled with the decline in mortgage rates continued to push transfer and recordation taxes to record levels during the first quarter of FY03. Collections from both taxes increased 22% over the first quarter of FY02. With a 57% increase in the tax rate, excluding the effect from a \$50,000 exemption for owner-occupied properties, collections from the recordation tax exceeded prior year's first quarter receipts by \$6.5 million or 60%. Receipts from the transfer tax were \$21.0 million which is a record for any first quarter since FY89 and 1% higher than the first quarter of FY02.
- **Other Taxes and Highway User Fund.** Collections or distributions from the hotel/motel tax were 22% higher during the first quarter of FY03 compared to the first quarter of FY02. Revenues from the highway user fund were slightly below last year's revenues but are expected to meet the budget forecast of 2% growth during the remainder of the fiscal year.
- **Investment Income.** Because of the accommodative policy of the Federal Reserve during the past year, interest rates on short-term investments have been the lowest in the past forty years. Because of such low rates, the yield on the County's investments was 2.01% during the first quarter of FY03 compared to 4.01% during the first quarter of FY02. Because of the fifty percent decrease in the yield, income from the County's investments was also half of the amount collected last year (\$3.1 million compared to \$6.2 million during the same period in FY02). Since the Federal Reserve cut the rate on Federal funds another 50 basis points on November 6 to 1.25%, the yield on investment income during FY03 is projected to be even lower compared to FY02 (1.7% compared to 2.6%).

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2003

<u>TAXES:</u>	REPORTING PERIOD			VARIANCE FY03 / FY02	PERCENT CHANGE	FY03 REVISED FORECAST			PERCENT CHANGE
		FY03	FY02				FY01	VARIANCE FY02 / FY01	
INCOME	SEPTEMBER	98,886,927	143,889,104	(45,002,177)	-31.3%	-11.3%	128,365,992	15,523,112	12.1%
PROPERTY	SEPTEMBER	421,140,892	385,761,414	35,379,479	9.2%	6.7%	375,524,459	10,236,955	2.7%
TRANSFER	SEPTEMBER	20,972,099	20,720,731	251,369	1.2%	5.4%	17,527,746	3,192,984	18.2%
RECORDATION	SEPTEMBER	17,325,467	10,806,677	6,518,790	60.3%	37.3%	6,605,494	4,201,183	63.6%
FUEL/ENERGY	SEPTEMBER	866,812	3,890	862,922	N.M.	1.3%	4,624	(735)	-15.9%
HOTEL/MOTEL	SEPTEMBER	2,001,399	1,643,407	357,992	21.8%	2.0%	1,702,085	(58,677)	-3.4%
TELEPHONE	SEPTEMBER	1,348	0	1,348	N.M.	3.3%	51	(51)	-100.0%
ADMISSIONS	SEPTEMBER	0	0	0	N.M.	3.4%	0	0	N.M.
<u>MISCELLANEOUS:</u>									
INVESTMENT INCOME	SEPTEMBER	3,134,573	6,153,975	(3,019,402)	-49.1%	-35.6%	11,770,590	(5,616,615)	-47.7%
HIGHWAY USER	SEPTEMBER	2,737,623	2,741,761	(4,138)	-0.2%	2.0%	2,601,214	140,547	5.4%
<u>TOTAL</u>		567,067,140	571,720,958	(4,653,818)	-0.8%	-2.0%	544,102,255	27,618,703	5.1%

November 7, 2002

NOTES:

SOME TAX COLLECTIONS (E.G. ADMISSIONS TAX IN SEPTEMBER WAS \$0) ARE EXPECTED TO BE REFLECTED IN THE NEXT FAMIS REPORT

N.M. - Not Meaningful